

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2019/2020

BFN2224 – FINANCIAL MARKETS AND INSTITUTIONS

(All sections / Groups)

17 OCTOBER 2019

9.00am-11.00am

(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of **3 pages** with **4 Questions** only.
2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.
3. Please print all your answers in the Answer Booklet provided.

QUESTION 1 (25 MARKS)

- a. Discuss the significance of financial markets to the corporate world. (9 marks)
- b. Is liberalization of financial markets good for economy? (5 marks)
- c. Discuss the development of global financial market. (5 marks)
- d. Briefly explain the risks associated to stock market investment. (6 marks)

QUESTION 2 (25 MARKS)

In certain advanced countries, the national bank is fully independent. In Malaysia, Bank Negara Malaysia (Central Bank) has played an important role for Malaysia development.

- a. Critically evaluate and discuss whether Bank Negara Malaysia should be decentralized and independent. (6 marks)
- b. Discuss the roles of Bank Negara Malaysia (Malaysia Central Bank). (15 marks)
- c. Describe Two (2) types of derivative contracts. (4 marks)

QUESTION 3 (25 MARKS)

Many financial crises were associated with banking panics and many recessions coincided with these panics.

- a. Explain the meaning of financial crisis. (3 marks)
- b. Discuss five (5) factors/sequence of financial crisis which had occurred in the emerging market. (15 marks)
- c. Discuss three (3) strategies used by Malaysia during financial crisis 1997-1999. (7 marks)

Continued....

QUESTION 4 (25 MARKS)

Halim is considering purchasing a bond issued by ERL Corporation. The bond has a par value of RM1,000 with 10 percent coupon rate and will mature in 5 years. Assuming a yield to maturity of 8%, answer the following questions:

- a. What are the cash flows that he should receive from years 1 to 5 if he were to hold the bond until maturity?
(6 marks)
- b. If he plans to hold the bond until maturity, what is the total cash he will receive from the bond after 5 years? Assume that the periodic cash flows are reinvested at 8%.
(5 marks)
- c. If he plans to hold the bond only for 2.5 years and then sell the bond, what will be the total cash he will receive after the 2.5 years? Assume that the periodic cash flows are reinvested at 8%.
(7 marks)
- d. What is the total cash he will receive from the bonds after 2.5 years if interest rates increased to 9%? How does this compare with the answer in part b)?
(7 marks)

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